

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>St. Clair County Road Commission</b>	County <b>St. Clair</b>
Audit Date <b>12/31/05</b>	Opinion Date <b>04/24/06</b>	Date Accountant Report Submitted to State: <b>06/13/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)

**Stewart, Beauvais & Whipple PC**

Street Address

**1979 Holland Avenue**

City

**Port Huron**

State

**MI**

ZIP

**48060**

Accountant Signature

*Stewart, Beauvais & Whipple*

Date

**06/13/06**

# St. Clair County Road Commission



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A Component Unit of St. Clair County, Michigan

# Comprehensive Annual Financial Report

## Year Ended December 31, 2005

Issued By

Donald M. Maronde,  
Managing Director

Greg A. Owens,  
Director of Internal Services

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**DECEMBER 31, 2005**  
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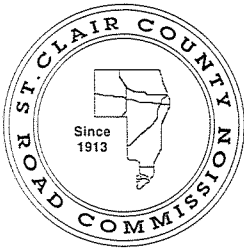
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## **SECTION ONE: INTRODUCTORY SECTION**



## **COUNTY OF ST. CLAIR**

**ROAD COMMISSION • PUBLIC WORKS**

**21 Airport Drive • St. Clair, Michigan 48079-1404**

**Phone: (810) 364-5720 • Fax: (810) 364-9050**

**E-Mail: [sccrc@mich.com](mailto:sccrc@mich.com) • Website: <http://www.sccrc-roads.org>**

**COMMISSIONERS: William L. Blumerich, Kenneth C. Foerster, Timothy J. LaLonde**

May 31, 2006

To the Board of County Road  
Commissioners and Citizens  
of St. Clair County

The comprehensive annual financial report of the St. Clair County Road Commission, a component unit of the County of St. Clair, Michigan for the year ended December 31, 2005 is hereby submitted as mandated by state statutes. These ordinances and statutes require that the St. Clair County Road Commission issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the St. Clair County Road Commission. All disclosures necessary to enable the reader to gain an understanding of the St. Clair County Road Commission's activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of the St. Clair County Road Commission's principal and appointed officials. The financial section includes the basic financial statements and schedules, as well as the independent auditor's reports on these financial statements and schedules. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Generally accepted auditing principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Road Commission's MD&A can be found immediately following the report of the independent auditors.

The financial reporting entity (the Road Commission as legally defined) is a component unit of St. Clair County, Michigan. Component units are legally separate entities for which the primary government is financially accountable.

### **Profile of the Road Commission**

The St. Clair County Road Commission was created by St. Clair County in accordance with Michigan statutes. Its primary purpose is to account for Michigan Transportation Fund revenues distributed to St. Clair County, and all other revenues provided for the construction and maintenance of primary and local roads within St. Clair County (exclusive of those located within Cities and Villages).

The St. Clair County Board of Commissioners appoints a three member Board of County Road Commissioners to oversee the operations of the Road Commission. The members are appointed to six-year terms, staggered so that one term expires every two years. The Board of County Road Commissioners is responsible for adopting a budget, appointing a chief executive officer and establishing policies it deems necessary to fulfill its obligations.

The County of St. Clair, organized as a County in 1837, consists of 700 square miles with approximately 164,000 residents and is located in the lower eastern central portion of Michigan's lower peninsula. The County Seat, the City of Port Huron, is located about sixty miles north of Detroit, Michigan. The County currently is affected by the unfavorable economic environment after having experienced a strong local economy for the past three years. The County's manufacturing and industrial base are primarily automotive related. Economic diversification has been accomplished, however, as the three largest employers are the school district, a utility and a health care facility. The County's unemployment rate has been near the State level for the past three years. The employed work force totals well over 75,000 and continues to grow.

## **Major Initiatives**

*...Dedicated to providing effective, efficient, and responsive services within available financial resources ...*

As our county continues to experience the opportunities and challenges of growth and development, our mission statement requires added dimension and resolve. Our accomplishments are made possible by our greatest resource, our officials and employees who provide dedication and diligence as we execute our statutory duties. As we begin our 94<sup>th</sup> year of service to our traveling public, our mission statement focus is shifting to attempting to meet increasing motorist needs.

Spiraling construction costs required us to re-evaluate program aggressiveness, especially those involving steel and petroleum based components. The importance of our local partnerships was underscored with many opportunities to maintain and improve our infrastructure. We were able to complete the last northern segment of Wildcat Road to provide a completely reconstructed north/south commercial route linking M-136 with Sanilac County. The importance of our annual County appropriation once again was evident with \$2.60 in local road services for each \$1.00 invested. This program resulted in the following achievements: 82,000 tons of aggregate patching undertaken, 11 miles of roadside ditching completed, 2.5 million gallons of dust retardant applied and 34 culverts replaced.

We continued dialogue on the need for an additional north/south rail crossing in Kimball and Port Huron Townships. We were particularly heartened with the receipt of \$400,000 in federal funds secured by Congresswoman Candice Miller. We will press for additional federal revenue to make construction a reality. During 2006, we will reconstruct 24<sup>th</sup> Street from Lapeer Road to the rail viaduct in Port Huron Township.

As we continue to meet growing motorist needs, new approaches to conducting business will need to be pursued. Increasing wage and benefit levels, external product price increases, and local revenue curtailments are outpacing transportation fund growth. A sense of entrepreneurship and ingenuity will need to be present in order for us to meet the diverse needs for services. As local road professionals, we believe we are up to the task.



## **Factors Affecting Financial Condition**

The majority of resources provided to the Commission are generated locally and redistributed by the State of Michigan through the Michigan Transportation Fund (MTF). This fund is comprised of revenues from the state 19¢ per gallon gas tax, 15¢ per gallon diesel tax, vehicle registrations and driver license fees, and carrier taxes. Following a series of intergovernmental grant deductions approximating 13% of collections, the Commission receives its statutory share of the fund equaling 1.67%<sup>1</sup> of the county share of funds. While the MTF appears stable, revenues may be affected by variances in intergovernmental grants and/or variances in fuel usages.

The Commission also maintains close working partnerships with the 23 township boards in the county. A variety of matching programs designed to raise the level of local road system expenditures for improvement and routine maintenance efforts provided approximately \$7 million during 2005. One source of these matching funds is state distributed revenue sharing. While the decrease of revenue sharing back to local units of government was somewhat limited this year, continued long term financial stress at the state level could result in ultimate reductions in resource allocation to an increasingly important local road system.

## **Financial Information**

Management of the Road Commission is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Road Commission are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the Road Commission is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management.

In addition, the Road Commission maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Road Commission's Board. Activities of the operating fund are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the activity level.

## **Cash Management Policies and Practices**

The St. Clair County Treasurer provides investment services for the Road Commission. Cash temporarily idle during the year was invested in investment pools offered by commercial banks. The government earned interest revenue of \$91,074 on all investments for the year ended December 31, 2005.

<sup>1</sup> Per MDOT REPORT NO. 139, June 17, 2003

## **Risk Management**

The Road Commission continues to be a leader in this area participating in State pools for property, liability and workers' compensation insurance. As part of this comprehensive plan, resources are being accumulated to meet potential losses. In addition, various control techniques, including employee accident prevention training, have been implemented during the prior years to minimize accident-related losses. Third-party coverage is also maintained for claims in excess of set amounts and all other potential losses. In order to further reduce the risk of effecting available funds for future road projects the Board of County Road Commissioners has designated \$200,000 to cover the deductibles on liability claims.

## **Independent Audit**

State statutes require an annual audit by independent certified public accountants. The Road Commission selected the firm Stewart, Beauvais & Whipple, PC CPAs. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office's *Government Auditing Standards*. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Road Commission for the year ended December 31, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Road Commission's financial statements for the year ended December 31, 2005 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The auditor's report on the financial statements and schedules is included in the financial section of this report.

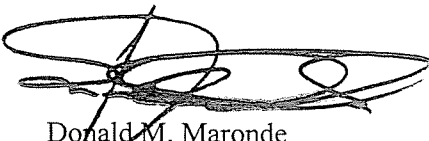
## **Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the St. Clair County Road Commission for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2004. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. This is the fifth consecutive year the Road Commission received this prestigious award.

A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the financial and administration department. We would especially like to express our appreciation to the accounting department, who assisted and contributed to the preparation of this report. Due credit also should be given to the Board of Road Commissioners for their interest and support in planning and conducting the operations of the Road Commission in a responsible and progressive manner.

Respectfully submitted,



Donald M. Maronde  
Managing Director

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**LIST OF PRINCIPAL OFFICIALS**

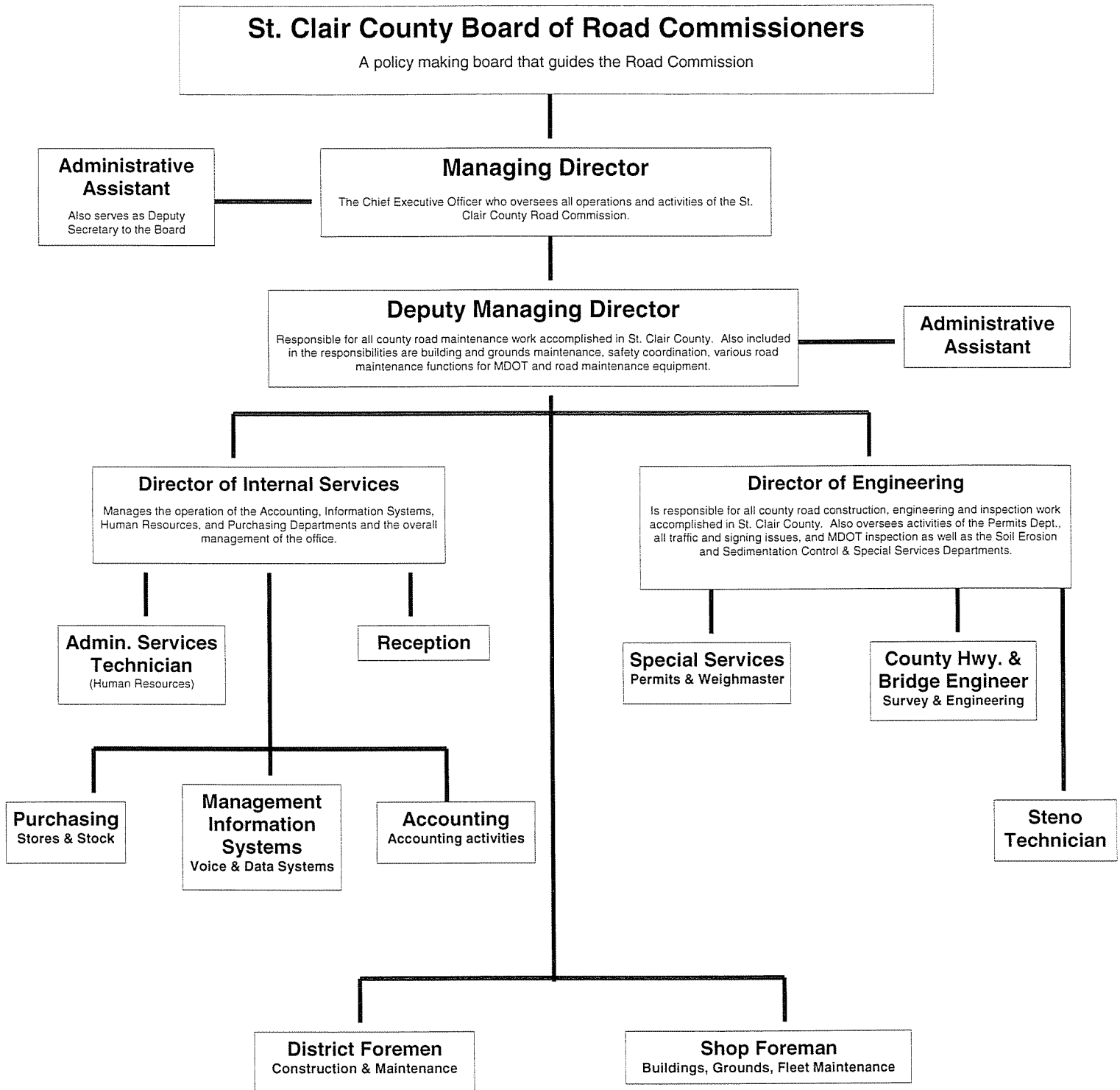
Board of County Road Commissions (3 members appointed to 6 year staggered terms by St. Clair County, Michigan Board of Commissioners):

<i>Chairperson</i>	<i>Timothy J. LaLonde (2009)</i>
<i>Vice Chairperson</i>	<i>William L. Blumerich (2010)</i>
<i>Member</i>	<i>Kenneth C. Foester (2006)</i>

Other principal officials (2005):

<i>Managing Director/ Secretary of the Board</i>	<i>Donald M. Maronde</i>
<i>Deputy Managing Director</i>	<i>Kirk Weston</i>
<i>Deputy Secretary of the Board</i>	<i>Sandra Clark</i>
<i>Director of Internal Services</i>	<i>Greg A. Owens</i>
<i>Director of Engineering</i>	<i>James R. Warner</i>
<i>County Highway and Bridge Engineer</i>	<i>Michael J. Clark</i>

# St. Clair County Road Commission Organizational Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

St. Clair County  
Road Commission, Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Carla E. Perry*

President

*Jeffrey R. Emen*

Executive Director

## **SECTION TWO: FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Board of County Road Commissioners  
of St. Clair County  
St. Clair, Michigan

We have audited the accompanying basic financial statements of the Road Commission of St. Clair County, Michigan, a component unit of St. Clair County, Michigan, as of December 31, 2005, and for the year then ended. These financial statements are the responsibility of the Road Commission management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Road Commission of St. Clair County, Michigan, as of December 31, 2005, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 24, 2006, on our consideration of the Road Commission of St. Clair County, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the St. Clair County Road Commission. The schedules and tables on pages 29-46 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Road Commission of St. Clair County, Michigan. Such information, except for the portion marked "Unaudited" on which we express no opinion has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Certified Public Accountants

April 24, 2006



# ST. CLAIR COUNTY ROAD COMMISSION

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the St. Clair County Road Commission (the "Road Commission"), we offer readers of these financial statements this narrative, overview and analysis of the financial activities of the Road Commission for the year ended December 31, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to provide a basis of understanding of the St. Clair County Road Commission's basic statements. These basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. Supplementary financial information and statistical tables are also provided for additional information purposes.

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Road Commission finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Road Commission assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Road Commission is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

### Fund Financial Statements

Unlike the government-wide financial statements, governmental financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the year. Such information may be useful in evaluating the Road Commission's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Road Commission's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and the government-wide financial statements.

The St. Clair County Road Commission adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-27 of this report.

## FINANCIAL HIGHLIGHTS

### Government-Wide Financial Analysis

#### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The net assets are separated into two major components, investment in capital assets net of debt and unrestricted net assets, which may be used to meet the ongoing obligations to citizens and creditors. The Road Commission's combined net assets increased 13% from a year ago. The increase is primarily due the acceptance of M-21 into the County's primary road system from the State of Michigan.

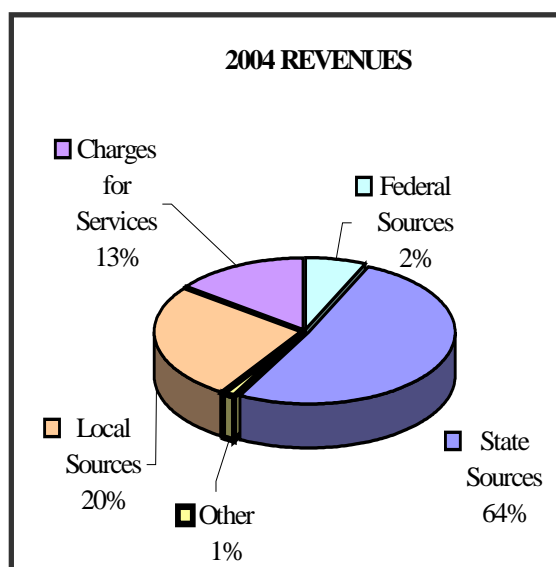
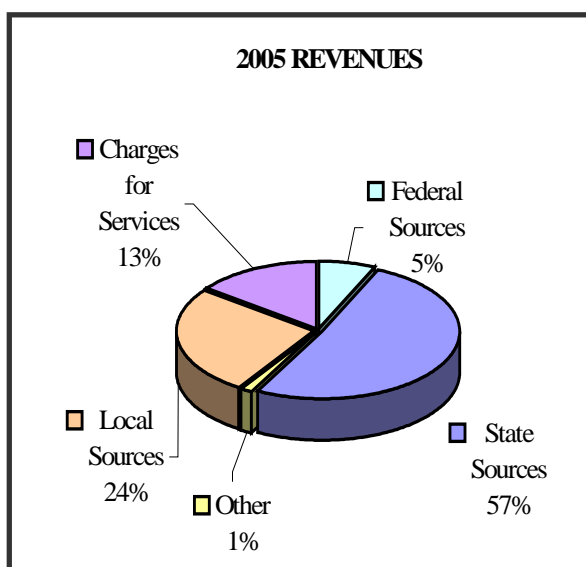
The table below shows a comparison of the net assets (in thousands of dollars) as of December 31, 2005 and 2004 in a condensed format.

	<u>2005</u>	<u>2004</u>
Current and other unrestricted assets	\$ 7,676.0	\$ 8,501.7
Capital assets	<u>109,094.2</u>	<u>96,896.0</u>
Total Assets	<u>116,770.2</u>	<u>105,397.7</u>
Long-term liabilities	(5,965.9)	(6,626.0)
Other liabilities	<u>(1,983.8)</u>	<u>(2,158.1)</u>
Total Liabilities	<u>(7,949.7)</u>	<u>(8,784.1)</u>
Net Assets		
Invested in capital assets-net of debt	103,484.2	90,681.0
Unrestricted	<u>5,336.3</u>	<u>5,932.6</u>
Total Net Assets	<u>\$ 108,820.5</u>	<u>\$ 96,613.6</u>

## Statement of Activities

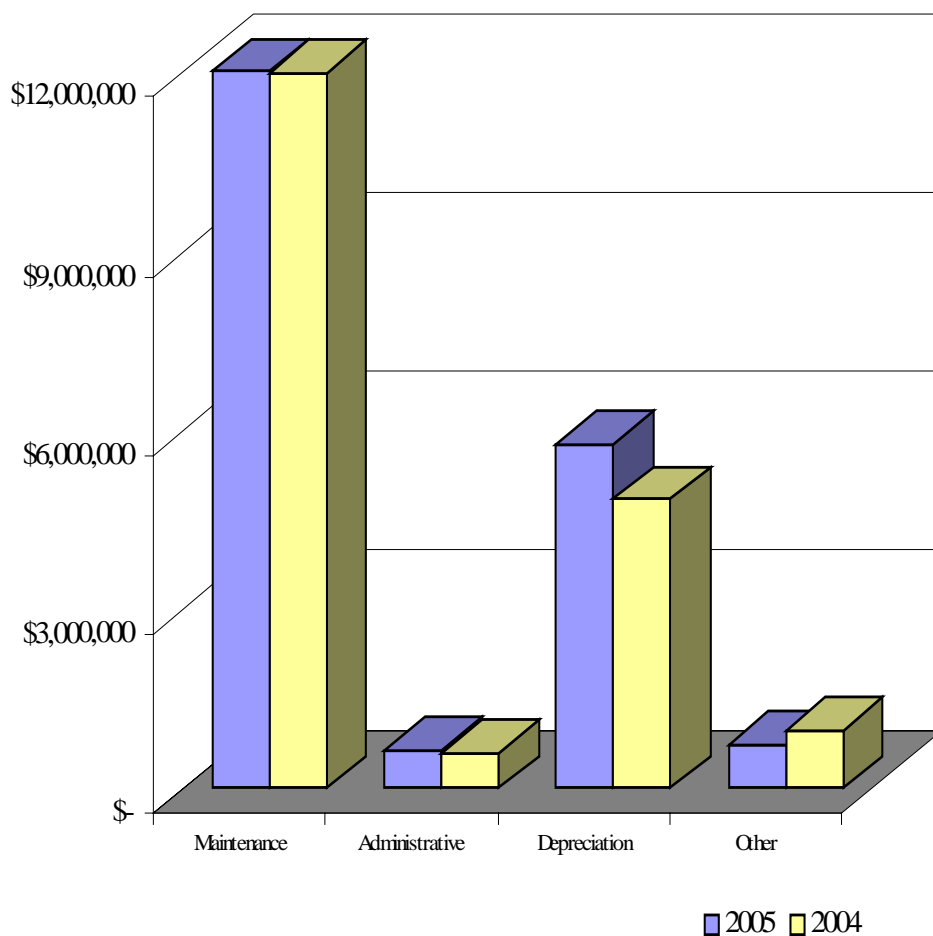
The following schedule compares the revenues and expenses (in thousands of dollars) for the current and previous fiscal years.

	2005	2004
<b>Revenues</b>		
Federal sources	\$ 1,446.7	\$ 643.3
State sources	18,735.1	17,873.3
Local sources	7,543.2	5,737.1
Charges for services	4,018.5	3,559.9
Other	345.3	377.2
<b>Total Revenues</b>	<b>32,088.8</b>	<b>28,190.8</b>
<b>Expenses</b>		
Maintenance	12,741.7	11,966.5
Administrative	641.4	585.4
Depreciation	5,767.6	4,838.0
Other	731.2	955.1
<b>Total Expenses</b>	<b>19,881.9</b>	<b>18,345.0</b>
<b>Change in Net Assets</b>	<b>12,206.9</b>	<b>9,845.8</b>
<b>Net Assets - Beginning of Year</b>	<b>96,613.6</b>	<b>86,767.8</b>
<b>Net Assets - End of Year</b>	<b>\$ 108,820.5</b>	<b>\$ 96,613.6</b>



As shown in the preceding table comparing 2005 and 2004 Statement of Activities amounts, total revenue increased by \$3,897 thousand or 14% due to the transfer of M-21 from the State of Michigan to the County and an increase in Federal Aid Projects.

## EXPENSES



Total expenses remained fairly consistent between the years. An increase in both maintenance and depreciation expenses were the most significant changes between the types of expenditures.

## Government Funds Financial Analysis

As noted earlier, the focus of the fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Road Commission's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Road Commission reported an ending fund balance of \$5,650,708, a decrease of \$519,752 from the prior year. Approximately 96% or \$5,443,336 of the fund balance constitutes unreserved fund balance, which is available for spending at the government's discretion; however, \$1,122,040 is designated as the local share of special projects, and \$200,000 is designated for contingencies, leaving \$4,121,296 undesignated and unreserved at the end of 2005.

## BUDGETARY HIGHLIGHTS

The total difference between the original budget and the final amended budget was an increase in appropriations of approximately \$9.7 million. Detail of the original budget, amended budget, and actual amounts may be seen on page 11 of the financial section.

Some of the larger appropriation variances from original to final budget are described below:

- Local construction appropriations increased by \$3.2 million due to an end of the year entry to record subdivision roads accepted into the County's road system where private companies performed the work; this entry also increased the local sources revenue by the same amount.
- Primary construction expenditures and State sources revenue increased by \$7.2 million to reflect the addition of the remaining section of M-21 into the County's infrastructure.
- The primary (\$494 thousand) and local (\$367 thousand) preservation budgeted expenditures decreased from original levels due to two bridge replacement projects delayed for 2005 and budgeted for in 2006 activity.

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** – As of year end, the Road Commission had \$109,094,184 invested in capital assets (net of accumulated depreciation) as reflected in the following schedule, representing an increase of over 12.5% or \$12,198,210.

	<u>2005</u>	<u>2004</u>
Land	\$ 65,629	\$ 65,629
Land Improvements	235,356	202,153
Buildings & Improvements	2,118,491	2,215,432
Equipment	2,422,595	2,561,612
Depletable Assets	117,113	117,113
Infrastructure	<u>104,135,000</u>	<u>91,734,035</u>
Total	<u>\$ 109,094,184</u>	<u>\$ 96,895,974</u>

Major capital asset events during the current fiscal year included the following:

- Reconstruction of 1.97 miles of Harris Rd.
- Installing traffic signals at North River Road, Michigan Road, and King Road
- Replacement of bridge at Belle River
- Acceptance of the second section of M-21 into the County's infrastructure
- Various equipment purchases the most significant being a grader, tandem axle dump truck, one tractor, jet trailer, and boom mower

Additional information on the Road Commission's capital assets may be found in Note 8 to the financial statements.

**Long-Term Liabilities** – At the end of the current year, the Road Commission had total bond and note debt outstanding of \$ 5,610,000. The debt is backed by the full faith and credit of St. Clair County. Additional information on the Road Commission's long-term liabilities may be found in Note 11 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Road Commission major revenue streams will be stressed due to increased internal costs and spiraling fuel costs. Long-term state fiscal crises could affect local abilities to provide increased demands for routine maintenance services. Long-term crises could also affect cost sharing programs currently in effect with township transportation partners and may also extend to reduction or elimination of an annual county appropriation for local road services. Legislative relief in terms of sharing the \$.01 per gallon gas tax bridge set- aside is providing additional resources to replace aging bridges.

Our 2006 budget is programmed for across the board, reduced revenues and expenditures compared to 2005 levels. It is anticipated that our fund equity will decrease by \$1,570,000 by the end of 2006.

## **CONTACTING THE ST. CLAIR COUNTY ROAD COMMISSION'S MANAGEMENT**

This financial report is designed to provide a general overview of the Road Commission's finances and to show accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the St. Clair County Road Commission, 21 Airport Drive, St. Clair, Michigan 48079.

## **BASIC FINANCIAL STATEMENTS**

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005**

	Governmental Fund	Adjustments (Note 2)	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 2,159,579	\$ -	\$ 2,159,579
Due from other governmental units -			
State	2,470,948	-	2,470,948
Local	1,081,185	-	1,081,185
Due from other component units	56,099	-	56,099
Due from primary government	152,453	-	152,453
Accounts receivable	17,570	-	17,570
Prepaid items	207,372	-	207,372
Inventory	1,385,566	-	1,385,566
Deposit-Health Insurance	145,229	-	145,229
Capital assets, net of accumulated depreciation			
Assets being depreciated	-	77,538,251	77,538,251
Assets not being depreciated	-	31,555,933	31,555,933
Total Assets	<u>\$ 7,676,001</u>	<u>\$ 109,094,184</u>	<u>\$ 116,770,185</u>

**LIABILITIES AND FUND EQUITY**

**Liabilities:**

Accounts payable	\$ 503,679	\$ -	\$ 503,679
Contractor's retention payable	3,985	-	3,985
Accrued liabilities	284,305	-	284,305
Accrued interest payable	-	102,626	102,626
Due to other governmental units	35,659	-	35,659
Advances and deposits	1,053,576	-	1,053,576
Deferred revenue	98,589	( 98,589)	-
Noncurrent Liabilities:			
Due within one year	45,500	887,000	932,500
Due in more than one year	-	5,033,400	5,033,400
Total Liabilities	<u>2,025,293</u>	<u>5,924,437</u>	<u>7,949,730</u>

**Fund Balance:**

Fund Balance -			
Reserved -			
Prepaid items	207,372	( 207,372)	-
Unreserved -			
Designated	1,322,040	( 1,322,040)	-
Undesignated	4,121,296	( 4,121,296)	-
Total Fund Balance	<u>5,650,708</u>	<u>( 5,650,708)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u><u>\$ 7,676,001</u></u>		

**Net Assets:**

Invested in capital assets, net of related debt	103,484,184	103,484,184
Unrestricted	5,336,271	5,336,271
Total Net Assets	<u><u>\$ 108,820,455</u></u>	<u><u>\$ 108,820,455</u></u>

See Notes to Financial Statements



**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund	Adjustments (Note 2)	Statement of Activities
<b>Revenues:</b>			
Permits	\$ 151,951	\$ -	\$ 151,951
Intergovernmental -			
Federal sources	1,446,684	-	1,446,684
State sources	18,735,094	-	18,735,094
Local sources	7,732,017	( 188,852)	7,543,165
Charges for services	4,018,597	-	4,018,597
Interest and rents	91,074	-	91,074
Other	101,411	-	101,411
Total Revenues	<u>32,276,828</u>	<u>( 188,852)</u>	<u>32,087,976</u>
<b>Expenditures/Expenses:</b>			
Current -			
Primary construction/capacity improvements	7,264,911	( 7,264,911)	-
Local construction/capacity improvements	3,247,106	( 3,247,106)	-
Primary preservation - structural improvements	3,578,990	( 3,578,990)	-
Local preservation - structural improvements	3,023,177	( 3,023,177)	-
Primary maintenance	4,144,770	( 53,566)	4,091,204
Local maintenance	4,726,860	( 60,153)	4,666,707
State maintenance	3,983,799	-	3,983,799
Administrative	683,679	( 42,253)	641,426
Equipment operations	3,608,241	( 998,967)	2,609,274
Less equipment rental			
charged to other activities	( 3,005,138)	-	( 3,005,138)
Depreciation	-	5,767,557	5,767,557
Other	865,225	( 2,192)	863,033
Capital Outlay	851,242	( 851,242)	-
Less: depreciation credit			
and retirements	( 1,056,190)	1,056,190	-
Debt Service -			
Principal	605,000	( 605,000)	-
Interest	274,908	( 11,679)	263,229
Total Expenditures/Expenses	<u>32,796,580</u>	<u>( 12,915,489)</u>	<u>19,881,091</u>
Excess of revenues over (under) expenditures/expenses	( 519,752)	12,726,637	12,206,885
Fund Balance/Net Assets at January 1, 2005	<u>6,170,460</u>	<u>90,443,110</u>	<u>96,613,570</u>
Fund Balance/Net Assets at December 31, 2005	<u><u>\$ 5,650,708</u></u>	<u><u>\$ 103,169,747</u></u>	<u><u>\$ 108,820,455</u></u>

See Notes to Financial Statements

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Permits	\$ 155,000	\$ 155,000	\$ 151,951	\$( 3,049)
Intergovernmental -				
Federal sources	2,018,540	1,922,493	1,446,684	( 475,809)
State sources	11,801,000	19,051,000	18,735,094	( 315,906)
Local sources	2,169,941	5,274,205	7,732,017	2,457,812
Charges for services	2,950,000	2,950,000	4,018,597	1,068,597
Interest and rents	50,000	50,000	91,074	41,074
Other	635,000	635,000	101,411	( 533,589)
Total Revenues	<u>19,779,481</u>	<u>30,037,698</u>	<u>32,276,828</u>	<u>2,239,130</u>
<b>Expenditures:</b>				
Current -				
Primary construction/capacity improvements	-	7,265,000	7,264,911	89
Local construction/capacity improvements	-	3,250,000	3,247,106	2,894
Primary preservation - structural improvements	4,135,300	3,641,000	3,578,990	62,010
Local preservation - structural improvements	3,389,965	3,023,373	3,023,177	196
Primary maintenance	4,218,275	4,218,275	4,144,770	73,505
Local maintenance	3,342,000	3,342,000	4,726,860	( 1,384,860)
State maintenance	2,950,000	2,950,000	3,983,799	( 1,033,799)
Administrative	779,000	779,000	683,679	95,321
Equipment operation	2,875,000	2,875,000	3,608,241	( 733,241)
Less equipment rental charged to other activities	( 3,050,000)	( 3,050,000)	( 3,005,138)	( 44,862)
Other	625,000	625,000	865,225	( 240,225)
Capital Outlay - net	( 173,220)	( 173,220)	( 204,948)	31,728
Debt Service	879,333	880,033	879,908	125
Total Expenditures	<u>19,970,653</u>	<u>29,625,461</u>	<u>32,796,580</u>	<u>( 3,171,119)</u>
Excess of revenues over (under) expenditures	( 191,172)	412,237	( 519,752)	( 931,989)
Fund Balance at January 1, 2005	<u>6,170,460</u>	<u>6,170,460</u>	<u>6,170,460</u>	<u>-</u>
Fund Balance at December 31, 2005	<u>\$ 5,979,288</u>	<u>\$ 6,582,697</u>	<u>\$ 5,650,708</u>	<u>\$( 931,989)</u>

See Notes to Financial Statements

## **NOTES TO FINANCIAL STATEMENTS**

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the St. Clair County Road Commission, a component unit of the County of St. Clair, Michigan, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The more significant accounting policies are described as follows:

**A. Description of Road Commission Operations –**

The St. Clair County Road Fund, referred to as the Road Commission, is a Component Unit of the County of St. Clair, Michigan, and is used to control the expenditure of revenues from the State distribution of gas and weight taxes, federal awards, reimbursements from the Department of State Highways for work performed by the County on State trunklines and contributions from other local units of government (townships) for work performed by the Road Commission work force. The Road Fund is the only fund of the Road Commission.

The Road Commission which is established pursuant to the County Road Law (MCL224.1) operates under a Board appointed by the County Board of Commissioners, of three (3) County Road Commissioners who establish policies and review operations of the Road Commission. The Road Commission provides services to twenty-three (23) Townships in St. Clair County and maintains over 1,700 miles of state, local and primary roads.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation –**

The government-wide financial statement columns (i.e., statement of net assets and statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the year. The major revenue sources that are susceptible to accrual are motor vehicle highway funds and township contributions. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**C. Assets, Liabilities, and Fund Balance or Net Assets –**

**Cash and Cash Equivalents** – The Road Commission's cash and cash equivalents are cash on hand, demand deposits and pooled investment funds which are recorded at cost, which approximates fair value.

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Inventories** – Inventories of road materials and equipment parts are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are stated at the lower of average cost or market.

**Prepaid Items** – Certain payments to vendors (particularly for insurance coverage) reflect costs that are applicable to a future period and are recorded as prepaid items.

**Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure are reported in the government-wide (statement of net assets) financial statements. Capital assets for land, buildings and improvements and all equipment except road equipment are defined by the Road Commission as assets with a purchase price greater than \$1,000 and an estimated useful life in excess of 1 year. Road equipment is capitalized as defined by the Michigan Department of Transportation without consideration of a minimum cost. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are recorded in the governmental fund statements as capital expenditures at the time of purchase.

Depreciation is computed on the sum-of-the-years digits method for road equipment, and straight-line method for all other capital assets over the estimated useful life of the related asset.

The estimated useful lives are as follows:

Buildings and Improvements	20-50 years
Equipment	4-20 years
Roads	8-30 years
Bridges	25-50 years
Traffic Signals	15 years

Infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges, and traffic signals which are required to be reported despite the date of purchase. Roads are removed from the capital assets at the time the group of individually recorded roads have been fully depreciated.

Depletion is calculated as the amount of prorated cost or other indicated value assigned to the extracted portion of a natural resource (gravel).

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recording depreciation and depletion in the governmental fund statements as a charge to various expenditures accounts, and a credit to a depreciation/depletion credit account. Accordingly, the annual depreciation/depletion expenditures do not affect the available operating equity of the governmental fund statements.

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Accrued Vacation and Sick Pay** – In accordance with contracts negotiated with the various employee groups, individual employees have a vested right upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contract. All amounts vested are accrued in the government-wide statements (statement of net assets).

**Deferred Revenues** – In both the government-wide and the fund financial statements revenue received or recorded before earned is recorded as deferred revenue. In addition, in the governmental fund statements revenues that are not both measurable and available are recorded as deferred revenues.

**Advances From The State of Michigan** – The State of Michigan advances funds on a State maintenance agreement it has with the St. Clair County Road Commission for specified maintenance which the Road Commission will perform during the year and for equipment purchased and used in performance of the specified maintenance. These advances are considered current liabilities because they are subject to repayment annually upon audit by the State of Michigan.

**Equipment Rentals** – The Michigan Department of Transportation requires that the cost of operating equipment, including depreciation, be allocated to the various activities. The effect of this allocation is offset to equipment expenditures/expenses.

**Long-Term Obligations** – In the government-wide financial statements (statement of net assets), long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. As permitted by GASB Statement No. 34, the Road Commission has elected to apply the provisions related to bond premiums discounts, and issuance costs on a prospective basis.

**Fund Equity** – Designation of fund balance represents tentative management plans that are subject to change.

**Estimates** - In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

- A.** Explanation of differences between the governmental fund statement and the government-wide statement of net assets (Page 9).

Fund Balance – governmental fund	\$ 5,650,708
Capital assets used in the governmental fund activities that are not financial resources and therefore not reported in the governmental fund financial statements	
Add – capital assets	159,301,961
Deduct – accumulated depreciation	( 50,207,777)
Long-term liabilities that are not due in the current period therefore not reported in the governmental fund statements	( 5,920,400)
Accrued interest payable on long-term liabilities not reported in the governmental fund statements	( 102,626)
Revenues that have been deferred in the governmental fund statements because they are not “available”	<u>98,589</u>
Net Assets	<u>\$ 108,820,455</u>

- B.** Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities (Page 10).

Excess of revenues under expenditures - governmental fund statement	\$( 519,752)
The governmental fund statements report capital outlay as expenditures, however, in the government-wide Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense	
Add – capital outlay and infrastructure	17,967,618
Deduct – retirements	( 1,851)
Deduct – depreciation	( 5,767,557)
Revenues are deferred in the governmental fund statements because they do not provide current financial resources that are reported in the government-wide Statement of Activities	( 188,852)

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (cont’d):**

Principal payments on long-term liabilities are reported as an expenditure in the governmental fund statements, but not in the government-wide Statement of Activities (where it reduces the long-term liability)	\$ 605,000
Interest expense adjustment for accrual reported in the government-wide Statement of Activities when the liability is incurred and reported in the governmental fund statements only when payment is due	11,679
Some expenses reported in the government-wide Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund	
Add - Increase in accrued claims	47,600
Add - Decrease in accrued sick and vacation	<u>53,000</u>
Change in Net Assets	<u>\$ 12,206,885</u>

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**Auditing and Reporting –**

The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States as described in the Independent Auditor's Report, but, also with the standards as provided in Act No. 71 of Public Acts of 1919, Section 21.41 of the Michigan Compiled Laws.

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as described in the Independent Auditor's Report, but also with applicable rules of the Michigan State Department of Transportation.

**Budgetary Compliance –**

The Director of Internal Services prepares from data submitted by the administrative staff a proposed operating budget for the calendar year commencing January 1. The operating budget includes proposed expenditures and resources to finance them.

The budget for the General Operating Fund is adopted on the modified accrual basis which is consistent with accounting principles generally accepted in the United States of America.



**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont’d):**

Prior to May 1, the proposed budget is presented to the Board of County Road Commissioners. The Board holds a public hearing in October or November and may add to, subtract from, or change appropriations. The budget is then legally enacted through passage of a Board of County Road Commissioner’s Resolution. The budget is approved at the activity level by the Board of County Road Commissioners.

Expenditures may not exceed appropriations at the activity level. The managing director has been granted the authority by the Board of County Road Commissioners to amend the budget up to 10% of the activity amount. Budgetary control is exercised at the activity level. Individual amendments were material in relation to the original appropriation.

The Road Commission does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year end.

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a governmental unit shall not incur expenditures in excess of the amount appropriated at the legally adopted level and has not provided authority to amend the budget after year end. During the year ended December 31, 2004, the Road Commission had 4 over-expenditures as reported on the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

**NOTE 4 - DEPOSITS AND INVESTMENTS:**

As of December 31, 2005, the carrying amount of deposits and investments is as follows:

Cash on Hand	
Petty Cash	\$ 250
Deposits with Financial Institutions	
Imprest Checking	1,500
Checking maintained by County Treasurer	8,414
Savings Maintained by County Treasurer	<u>2,149,415</u>
	<u>\$ 2,159,579</u>

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the County Treasurer maintain the cash of the Road Commission. All Road Commission receipts are deposited with the St. Clair County Treasurer’s Office, and in order to make disbursements, the St. Clair County Road Commission requests the County Treasurer to transfer the required funds to an imprest vendor or payroll checking account. The investing of cash is performed by the County Treasurer.

**Custodial Credit Risk of Bank Deposits -**

Deposits are exposed to credit risk if they are not covered by depository insurance. As of December 31, 2005, \$1,989,579 of the Road Commissions total bank balance of \$2,344,218 (total book balance \$2,159,579) was exposed to custodial credit risk as it was uninsured and uncollateralized. The County believes that due to the dollar amounts of cash deposits and financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 5 – DUE FROM OTHER GOVERNMENTAL UNITS:**

Due from other government units as of December 31, 2005 consists of the following:

State –	
Motor Vehicle Highway Funds	\$ 1,682,038
Trunkline Maintenance	444,212
Transportation Department – Other	<u>344,698</u>
	<u>2,470,948</u>
Local –	
Township road agreements	970,913
Others	<u>110,272</u>
	<u>1,081,185</u>
	<u>\$ 3,552,133</u>

The governmental fund statements report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Both the government-wide and governmental fund statements defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current year deferred revenue in the governmental fund consisted of other township receivables in the amount of \$98,589 that are considered to be unavailable at December 31, 2005.

**NOTE 6 - COMPONENT UNIT RECEIVABLE BALANCE:**

The receivable balance described as Due From Other Component Units on the Balance Sheet/Statement of Net Assets reflects amounts owed the Road Commission by other component units of St. Clair County. These amounts represent short-term obligations on open accounts for office rental, office maintenance, labor, fringe benefits, etc. and not current portions of long-term loans. The following is a summary of the Due From Other Component Units balance at December 31, 2005:

	<u>Amount</u>
<u>St. Clair County Component Units -</u>	
Department of Public Works –	
Revolving	\$ 22,999
Waste Water Treatment Plant	23,401
Utility Operation & Maintenance Receiving	342
Drain Commission	8,299
Airport	<u>1,058</u>
	<u>\$ 56,099</u>

**NOTE 7 – INVENTORIES:**

The inventory balance of \$1,385,566 at December 31, 2005 consisted of \$922,297 of road materials and \$463,269 of equipment parts and materials.

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 8 – CAPITAL ASSETS:**

Capital assets activity for the current year was as follows:

	Balance January 1, 2005	Additions	Deletions	Adjustments/ Removals	Balance December 31, 2005
Capital Assets, not being depreciated –					
Land	\$ 65,629	\$ -	\$ -	\$ -	\$ 65,629
Land improvements	27,596,659	2,709,612	-	-	30,306,271
Right of Ways	<u>1,184,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,184,033</u>
Total Capital Assets, not being depreciated	<u>28,846,321</u>	<u>2,709,612</u>	<u>-</u>	<u>-</u>	<u>31,555,933</u>
Capital Assets, being depreciated –					
Buildings and improvements	4,430,184	33,203	-	-	4,463,387
Road Equipment	10,478,874	756,313	440,395	2,248	10,797,040
Shop Equipment	615,240	44,642	-	-	659,882
Office Equipment	259,954	9,862	-	-	269,816
Engineering equipment	256,455	7,222	-	-	263,677
Infrastructure –					
Roads	71,939,743	13,031,353	-	( 1,342,124)	83,628,972
Bridges	25,748,112	1,366,190	-	-	27,114,302
Traffic signals	379,271	7,029	803	-	385,497
Depletable assets –					
Gravel pits	<u>163,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,455</u>
	<u>114,271,288</u>	<u>15,255,814</u>	<u>441,198</u>	<u>( 1,339,876)</u>	<u>127,746,028</u>
Less – accumulated depreciation for –					
Buildings and improvements	\$ 2,012,599	\$ 96,941	\$ -	\$ -	\$ 2,109,540
Road Equipment	8,242,182	895,105	438,544	56	8,698,799
Shop Equipment	441,726	17,339	-	-	459,065
Office Equipment	186,899	28,185	-	-	215,084
Engineering Equipment	178,103	16,769	-	-	194,872
Infrastructure –					
Roads	24,454,572	4,172,895	-	( 1,342,124)	27,285,343
Bridges	10,450,859	521,769	-	-	10,972,628
Traffic signals	208,353	18,554	803	-	226,104
Depletable Assets	<u>46,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,342</u>
	<u>46,221,635</u>	<u>5,767,557</u>	<u>439,347</u>	<u>( 1,342,068)</u>	<u>50,207,777</u>
Total Capital Assets, being depreciated, net	<u>68,049,653</u>	<u>9,488,257</u>	<u>1,851</u>	<u>2,192</u>	<u>77,538,251</u>
Governmental activity capital assets, net	<u>\$ 96,895,974</u>	<u>\$ 12,197,869</u>	<u>\$ 1,851</u>	<u>\$ 2,192</u>	<u>\$ 109,094,184</u>

The State of Michigan does not allow depreciation to be recorded in the governmental fund statements on salt barn construction cost reimbursed by the State. However, the depreciation of \$5,623 on the salt barn is recorded in the government-wide statement of activities. Total depreciation for the year ended December 31, 2005 was \$5,767,557.

**ST. CLAIR COUNTY ROAD COMMISSION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 9 - FEDERAL AWARDS:**

It is required by the Michigan Department of Transportation (MDOT) that Road Commissions report total federal awards for Highway Research, Planning and Construction pertaining to their County. However, only the federal awards applicable to force account expenditures are required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by MDOT.

During the year ended December 31, 2005, the Road Commission of St. Clair County had less than \$500,000 of force account expenditures applicable to federal awards (local force revenue). As a result, an audit for compliance under the Single Audit Act has not been performed.

The total federal revenues of \$1,446,684 represent the Department of Transportation Federal Highway grant money expended on public road improvement projects which were administered by the Michigan Department of Transportation, however, are required to be reported by the Road Commission.

**NOTE 10 – ADVANCES AND DEPOSITS:**

Advances of \$1,053,576 at December 31, 2005, represent money advanced by the State of Michigan under the maintenance contract the Road Commission has with the State, money advanced by the State for equipment purchases, and advances from Townships, contractors and individuals for various projects. Both State advances are adjusted annually by the State and must be repaid if the maintenance contract is canceled. The following is a summary of the balance by source and use:

State -	
Trunkline maintenance	\$ 264,174
Equipment	<u>580,541</u>
	844,715
Local -	
Other Governmental Units -	
Township advances	70,168
Contractors and Individuals –	
Permits	<u>138,693</u>
	<u>\$ 1,053,576</u>

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**NOTE 11 - LONG-TERM LIABILITIES:**

The following is a summary of the changes in long-term liabilities of the Road Commission for the year ended December 31, 2005:

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due Within One Year
Bonds and Notes Payable:					
MTF Bonds – Series 1999	\$ 4,465,000	\$ -	\$ 355,000	\$ 4,110,000	\$ 375,000
MTF Notes – Series 2001	<u>1,750,000</u>	<u>-</u>	<u>250,000</u>	<u>1,500,000</u>	<u>250,000</u>
Total Bonds & Notes Payable	<u>6,215,000</u>	<u>-</u>	<u>605,000</u>	<u>5,610,000</u>	<u>625,000</u>
Other Liabilities –					
Accrued sick & vacation	349,000	407,000	460,000	296,000	262,000
Accrued claim liability	<u>62,000</u>	<u>-</u>	<u>2,100</u>	<u>59,900</u>	<u>45,500</u>
Total Liabilities	<u>411,000</u>	<u>407,000</u>	<u>462,100</u>	<u>355,900</u>	<u>307,500</u>
	<u>\$ 6,262,000</u>	<u>\$ 407,000</u>	<u>\$ 1,067,100</u>	<u>\$ 5,965,900</u>	<u>\$ 932,500</u>

Significant details regarding outstanding long-term liabilities are presented below:

**MTF Bonds – Series 1999 –**

The County of St. Clair, Michigan issued \$6,000,000 of Michigan Transportation Fund Bonds, Series 1999, dated June 1, 1999 pursuant to the provision of Act 51, Public Acts of Michigan of 1951, as amended. The Bonds are issued in anticipation of and are payable from monies derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 51.

As additional security for the payment of the principal of and interest on the Bonds, in the event and to the extent that Michigan Transportation Fund money is not sufficient to pay such principal and interest, the County is obligated to advance from its general fund money sufficient to pay such principal and interest. The County does not have the power to levy taxes to pay principal of and interest on the bonds over and above its authorized tax rate established pursuant to law. To the extent such an advance is made from the County's general fund, the general fund shall be reimbursed from the first subsequent revenues received by the Road Commission from Michigan Transportation Fund money not pledged or required to be set aside and used for the payment of bonds or notes of other evidence of indebtedness.

The Bonds maturing on or prior to August 1, 2009 shall not be subject to redemption prior to maturity. Bonds maturing on or after August 1, 2010 shall be subject to redemption prior to maturity at the option of the County, in such order as shall be determined by the County, on any one or more interest payment dates on or after August 1, 2009. Bonds of a denomination greater than \$50,000 may be partially redeemed in the amount of \$5,000 or any integral multiple thereof. If less than all of the Bonds maturing in any year are to be redeemed, the bonds or portions of bonds to be redeemed shall be selected by lot. The redemption price shall be the par value of the bonds or portion of the bonds called to be redeemed plus interest to the date fixed for redemption.

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 11 - LONG-TERM LIABILITIES – (cont'd):**

Principal on the bonds is due on August 1, 2006 through 2014 with interest due semi-annually on February 1 and August 1 at interest rates ranging from 4.375% to 4.95%.

**MTF Notes – Series 2001 –**

The County of St. Clair, Michigan issued \$2,500,000 of Michigan Transportation Fund Notes, Series 2001, dated August 21, 2001 pursuant to the provision of Act 202 Public Acts of Michigan 1943, as amended. The Notes are issued in anticipation of and are payable from money derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 202.

Principal on the notes is due on August 1, 2006 through 2011 with interest due semi-annually on February 1 and August 1 at interest rates ranging from 3.4% to 4.0%.

**Accrued Sick and Vacation -**

In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payment for unused sick leave and vacation under formulas and conditions specified in the contracts. The dollar amount of these vested rights which has been accrued on the financial statements amounted to approximately \$109,060 for sick leave and \$186,940 for vacation at December 31, 2005.

The annual requirements to amortize long-term liabilities outstanding at December 31, 2005, except compensated absences, are as follows:

	<u>MTF Bonds-Series 1999</u>		<u>MTF Notes-Series 2001</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	375,000	192,676	250,000	57,626	875,302
2007	390,000	176,270	250,000	48,874	865,144
2008	410,000	158,720	250,000	39,626	858,346
2009	430,000	140,270	250,000	30,000	850,270
2010	455,000	120,920	250,000	20,000	845,920
2011-2014	<u>2,050,000</u>	<u>257,138</u>	<u>250,000</u>	<u>10,000</u>	<u>2,567,138</u>
	<u>\$ 4,110,000</u>	<u>\$1,045,994</u>	<u>\$1,500,000</u>	<u>\$ 206,126</u>	<u>\$6,862,120</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 12 – EMPLOYEE PENSION PLAN:**

**Plan Description**

The St. Clair County Road Commission, as a component unit of St. Clair County, participates in the St. Clair County Retirement System. The Retirement system is a single employer, defined benefit pension plan, which was established by County ordinance in 1964 to provide retirement and pension benefits for substantially all employees of St. Clair County and the St. Clair County Community Mental Health Authority. The system is administered, managed and operated by a Board composed of 9 trustees, which is composed of the Chairperson of the Board of Commissioners, Chairperson of the St. Clair County Road Commission Board, one appointed citizen, one elected by the Community Mental Health Authority Board and four elected employees. The benefit provisions are governed by Michigan Public Act of 1984, as amended. The plan may be amended by the County Board of Commissioners.

The County issues publicly available annual financial statements that includes financial statements for the plan. That report may be obtained from St. Clair County by writing to the Administrator/Controllers office, 200 Grand River, Port Huron, Michigan 48060 or by calling (810) 989-6900.

**Funding Policy**

The obligation to contribute to and maintain the retirement system for the employees was established by negotiations with the County collective bargaining units and by personnel policy for non-represented employees. The County is required to contribute at an actuarially determined amount, which for 2005, was 6.67% of annual covered payroll. Plan members are required to contribute 5% of their annual covered salary. The contribution requirement of a plan member and the County are established by the St. Clair County Retirement Board and may be amended by the St. Clair County Board of Commissioners.

**Annual Pension Costs**

During the year ended December 31, 2005, the Road Commission's annual pension cost of \$390,041 was equal to the Road Commission's required and actual contributions.

The required contribution rate was determined as part of the December 31, 2003 actuarial valuation using the individual entry age normal cost method. The actuarial assumption included (a) 7.5% net investment rate of return, and (b) project salary increases of 5% to 8.7% per year, which includes pay inflation at 5.0%. There are no projected cost of living adjustments. The actuarial value was determined using techniques that smooth the effect of short-term volatility in the market value of investment over a five year period. The St. Clair County unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed period, with a remaining amortization period as of December 31, 2003 of 17 years for liabilities created by plan changes, assumption changes or method changes. There is no unfunded accrued liability.

**ST. CLAIR COUNTY ROAD COMMISSION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 12 – EMPLOYEE PENSION PLAN – (cont'd):**

**Three-Year Trend Information**

Fiscal Year Ending	Road Annual Pension Costs (ARC)	Percentage of APC Contribution	Net Pension Obligation
December 31, 2003	-	100 %	-
December 31, 2004	-	100	-
December 31, 2005	-	100	-

**NOTE 13 – POSTEMPLOYMENT BENEFITS:**

St. Clair County provides retirement benefits for substantially all employees of the County, including employees of the St. Clair County Road Commission. Postemployment benefits consist of Blue Cross and Blue Shield, dental and prescription drug coverage.

The employees covered by the postemployment benefits and membership are the same as noted for the basic retirement plan (Note 12). In general all employees are eligible for postemployment benefits. At December 31, 2004, 924 members were active in the plan.

The County makes contributions based on actuarially determined rates. Members of the system are not required to make contributions for these postemployment benefits.

**Contribution and Funding Policy -**

The County's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The Plan requires no member contributions.

The required contribution rate was determined as part of the December 31, 2003 actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions included (a) 7.5% net investment rate of return, (b) projected salary increases of 5% per year, and (c) projected health care premium increases of 5% to 10% per year.

During the year ended December 31, 2005, employer contributions of \$370,124 were made by the Road Commission. Employer contributions represented 6.33% of covered payroll. The actuarial valuation dated December 31, 2003 determined a contribution rate of 19.24% of covered payroll.

The present value of health benefits and the unfunded accrued liability at December 31, 2004 were \$55,663,190 and \$84,925,857, respectively.



**ST. CLAIR COUNTY ROAD COMMISSION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 14 - DESIGNATED FUND BALANCE:**

The Road Commission Fund Balance at December 31, 2005, has been designated as follows:

Preservation-Structural Improvements	\$ 498,000
Local Road Engineering	97,511
County critical bridge program - uncommitted	182,296
Township match money - unused County share	236,185
Liability claims deductible	200,000
Bridge programs	23,850
Local Road Funding Assistance program	<u>84,198</u>
	<u>\$ 1,322,040</u>

**NOTE 15 - SUMMARY OF DISCLOSURE OF SIGNIFICANT CONTINGENCIES:**

In the normal course of its operations, the St. Clair County Road Commission often becomes a party to various claims and lawsuits. In the opinion of the Road Commission's legal counsel, if any of these claims should result in an unfavorable resolution to the Road Commission, the Road Commission's liability would be limited to its deductible under insurance policies. The insurer would pay the losses, and there should be no material effect on the financial position of the Road Commission.

**NOTE 16 - RISK MANAGEMENT:**

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan which authorizes contracts between municipal corporations (interlocal agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop-loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Road Commission pays an annual premium to the Pool for property (buildings and grounds) coverage, automobile liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also a member of the County Road Association Self Insurance Fund for workers' compensation insurance. The Fund is a municipal self-insurance entity operating within the laws of the State of Michigan. The Fund has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Fund.

**ST. CLAIR COUNTY ROAD COMMISSION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 16 - RISK MANAGEMENT – (cont'd):**

The Road Commission became self-insured for health care benefits during 2004. The administrative services for the self-insured program are performed by the health insurance company. The Road Commission makes monthly payments, based on estimated claims and a stop-loss provision, which are adjusted quarterly.

The Road Commission has estimated accrued health care claims in excess of the last quarter payments, including an estimate for claims incurred but not reported (IBNR), of \$59,900 at December 31, 2005, which has been accrued on the statement of Net Assets.

**NOTE 17 - EQUIPMENT OPERATIONS EXPENDITURE/EXPENSE BALANCE:**

The Road Commission in compliance with the Uniform Accounting Procedures Manual for Michigan County Road Commissions charges rental on Road Commission equipment used for various construction and maintenance projects performed by the Road Commission. The cost for this rental for 2005 is based on either a rental rate per hour established by the Michigan Department of Transportation or the actual costs per hour from 2004 data, multiplied by rental hours, is reported as an expenditure in the various maintenance activities. An expenditure credit is reported as an offset against the equipment expenditure activities. Accordingly, the equipment rental does not affect total expenditures or the available operating equity of the Road Commission's General Operating Fund. The balance for the year ended December 31, 2005 is as follows:

	<u>Governmental Fund</u>	<u>Statement of Activities</u>
Equipment –		
Direct	\$ 1,990,719	\$ 1,095,614
Indirect	1,150,482	1,046,620
Operating	<u>467,040</u>	<u>467,040</u>
	3,608,241	2,609,274
Less-equipment rental	( <u>3,005,138</u> )	( <u>3,005,138</u> )
	<u>\$ 603,103</u>	<u>\$( 395,864 )</u>

**NOTE 18 – CAPITAL OUTLAY EXPENDITURE CREDIT BALANCE:**

On the governmental fund financial statements, the Road Commission reports a depreciation credit as an offset to capital outlay as a result of charging depreciation to various expenditure accounts as explained in Note 1. Retirements are also reported as a credit against capital outlay. The credit balance of \$204,948 is the result of the amount of depreciation and retirements exceeding capital outlay expenditures for the year ended December 31, 2005 as follows:

Capital Outlay –	
Land improvements, building and equipment	\$ 851,242
Less – depreciation/depletion	( 1,054,339 )
- retirements	( <u>1,851</u> )
	<u>\$( 204,948 )</u>

## **SUPPLEMENTARY INFORMATION**

**ST. CLAIR COUNTY ROAD COMMISSION**  
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**DETAIL SCHEDULE OF REVENUES AND OTHER SOURCES**  
**GENERAL OPERATING FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005	2004
<b>Revenues:</b>		
Permits	\$ 151,951	\$ 178,579
Federal Sources -		
Federal aid urban/ rural	575,550	612,329
Federal aid bridge	455,928	11,271
Federal Aid Safety	415,206	-
D funds	-	19,030
Other FEMA	-	681
	<u>1,446,684</u>	<u>643,311</u>
State Sources -		
Motor Vehicle Highway Funds - Act 51 -		
Engineering	10,000	10,000
Primary roads	7,684,124	7,860,713
Local roads	3,275,366	3,445,032
Michigan Economic Development	500,693	-
State critical bridge	-	2,113
Others	7,264,911	6,555,462
	<u>18,735,094</u>	<u>17,873,320</u>
Local Sources -		
Township contributions - match money	3,230,660	1,901,702
County appropriations	500,000	700,000
Other contributions	4,001,357	3,115,771
	<u>7,732,017</u>	<u>5,717,473</u>
Charges for Services -		
Trunkline maintenance	3,188,150	3,247,358
Trunkline nonmaintenance	795,649	292,183
Salvage sales	4,955	5,096
Subdivisions	29,843	15,275
	<u>4,018,597</u>	<u>3,559,912</u>
Interest and rents	<u>91,074</u>	<u>59,113</u>
Other -		
Gain on equipment disposal	68,579	65,265
Sundry refunds	2,178	22,765
Other	30,654	51,472
	<u>101,411</u>	<u>139,502</u>
Total Revenues	<u><u>\$ 32,276,828</u></u>	<u><u>\$ 28,171,210</u></u>

**ST. CLAIR COUNTY ROAD COMMISSION**  
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**DETAIL SCHEDULE OF EXPENDITURES**  
**GENERAL OPERATING FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>Expenditures:</b>		
Construction/capacity Improvements -		
Primary roads and structures	\$ 7,264,911	\$ 6,096,293
Local roads and structures	3,247,106	1,722,789
Other Non-motorized	-	47,478
	<u>10,512,017</u>	<u>7,866,560</u>
Preservation - Structural Improvements -		
Primary roads and structures	3,578,990	3,637,983
Local roads and structures	<u>3,023,177</u>	<u>1,602,373</u>
	<u>6,602,167</u>	<u>5,240,356</u>
Maintenance -		
Primary roads and structures,		
winter and traffic control	4,144,770	3,538,907
Local roads and structures,		
winter and traffic control	<u>4,726,860</u>	<u>4,936,180</u>
	<u>8,871,630</u>	<u>8,475,087</u>
State Maintenance -		
Trunkline maintenance	3,188,150	3,220,471
Trunkline nonmaintenance	<u>795,649</u>	<u>292,183</u>
	<u>3,983,799</u>	<u>3,512,654</u>
Administrative -		
Administration	1,247,010	1,175,948
Less - handling	( 9,517)	( 8,041)
- overhead	( 307,460)	( 275,731)
- purchase discounts	( 21,513)	( 6,803)
- other administrative credit	<u>( 224,841)</u>	<u>( 233,659)</u>
	<u>683,679</u>	<u>651,714</u>
Equipment -		
Direct	1,990,719	1,971,907
Indirect	1,150,482	1,117,381
Operating	467,040	323,262
Less - equipment rental	<u>( 3,005,138)</u>	<u>( 2,811,832)</u>
	<u>603,103</u>	<u>600,718</u>
Other -		
Services	<u>865,225</u>	<u>1,054,195</u>
Capital Outlay -		
Land improvements, building		
and equipment	851,242	1,054,188
Less - depreciation	( 1,054,339)	( 1,152,095)
- retirements	<u>( 1,851)</u>	<u>( 181)</u>
	<u>( 204,948)</u>	<u>( 98,088)</u>
Debt Service -		
Principal retirement	605,000	590,000
Interest and fiscal charges	<u>274,908</u>	<u>300,033</u>
	<u>879,908</u>	<u>890,033</u>
Total Expenditures	<u>\$ 32,796,580</u>	<u>\$ 28,193,229</u>

**ST. CLAIR COUNTY ROAD COMMISSION**  
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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BY FUND BALANCE SUB-ACCOUNTS**  
**GENERAL OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	Primary	Local	County	Total
<b>Revenues:</b>				
Licenses and permits	\$ -	\$ -	\$ 151,951	\$ 151,951
Intergovernmental -				
Federal Sources	990,756	455,928	-	1,446,684
State Sources	15,456,766	3,278,328	-	18,735,094
Local Sources	-	6,343,129	1,388,888	7,732,017
Charges for Services	-	-	4,018,597	4,018,597
Interest & rents	-	-	91,074	91,074
Other	-	-	101,411	101,411
Total Revenues	<u>16,447,522</u>	<u>10,077,385</u>	<u>5,751,921</u>	<u>32,276,828</u>
<b>Expenditures:</b>				
Construction/capacity Improvements	7,264,911	3,247,106	-	10,512,017
Preservation - structural improvements	3,578,990	3,023,177	-	6,602,167
Maintenance	4,144,770	4,726,860	-	8,871,630
Other -				
Trunkline maintenance	-	-	3,188,150	3,188,150
Trunkline nonmaintenance	-	-	795,649	795,649
Administrative - net	394,348	289,331	-	683,679
Equipment - net	165,190	217,055	220,858	603,103
Other	-	-	865,225	865,225
Capital outlay - net	-	-	( 204,948)	( 204,948)
Debt principal	-	-	605,000	605,000
Interest	-	-	274,908	274,908
Total Expenditures	<u>15,548,209</u>	<u>11,503,529</u>	<u>5,744,842</u>	<u>32,796,580</u>
Excess of revenues over (under) expenditures before optional transfers	899,313	( 1,426,144)	7,079	( 519,752)
Optional transfers	<u>( 899,313)</u>	<u>899,313</u>	<u>-</u>	<u>-</u>
Excess of revenues under expenditures after optional transfers	-	( 526,831)	7,079	( 519,752)
Fund Balance at January 1, 2005	-	-	6,170,460	6,170,460
Interfund adjustments	<u>-</u>	<u>526,831</u>	<u>( 526,831)</u>	<u>-</u>
Fund Balance at December 31, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,650,708</u>	<u>\$ 5,650,708</u>

### **SECTION THREE: STATISTICAL SECTION**

The Statistical Tables present comparative data for the government-wide revenues and expenses, general history of revenues and expenditures, the history of maintenance expenditures, capital outlay, long-term liabilities, township projects and miscellaneous statistics. These tables were presented because they are representative of the Road Commission activity and are the statistics commonly needed to compare Road Commission operations, capital outlay and debt service among years. All economic and statistical data was obtained from records of the St. Clair County Road Commission.

**ST. CLAIR COUNTY ROAD COMMISSION**  
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**GOVERNMENT-WIDE  
REVENUES BY SOURCE  
YEARS ENDED 2002 Through 2005  
(UNAUDITED)**

<u>Year Ended</u>	<u>Permits</u>	<u>Federal Sources</u>	<u>State Sources</u>	<u>Local Sources</u>	<u>Charges for Services</u>	<u>Interest and Rents</u>	<u>Other</u>	<u>Total Revenue</u>
2002	\$ 173,556	\$ 1,072,789	\$ 12,361,297	\$ 6,185,116	\$ 3,116,598	\$ 116,747	\$ 206,324	\$ 23,234,429
2003	157,974	1,459,093	11,031,273	5,640,496	3,182,188	58,212	99,518	21,628,754
2004	178,579	643,311	17,873,320	5,737,073	3,559,912	59,113	139,502	28,190,810
2005	151,951	1,446,684	18,735,094	7,543,165	4,018,597	91,074	101,411	32,087,976

Table 1

**GOVERNMENT-WIDE  
OPERATING EXPENSES BY ACTIVITY  
YEAR ENDED 2002 Through 2005  
(UNAUDITED)**

<u>Year Ended</u>	<u>Maintenance</u>	<u>State Maintenance</u>	<u>Administrative</u>	<u>Equipment</u>		<u>Depreciation</u>	<u>Other</u>	<u>Total</u>
				<u>Expense</u>	<u>Rental</u>			
2002	\$ 9,064,255	\$ 3,261,770	\$ 917,488	\$ 1,715,189	\$( 2,917,171)	\$ 5,538,881	\$ 1,939,090	\$ 19,519,502
2003	9,143,425	3,148,252	955,844	1,826,895	(3,034,112)	4,749,890	1,228,519	18,018,713
2004	8,453,826	3,512,654	585,446	2,356,482	(2,811,832)	4,838,033	1,120,917	18,055,526
2005	8,757,911	3,983,799	641,426	2,609,274	(3,005,138)	5,767,557	863,033	19,617,862

Note: The expenses reported above include the current operating expenses of the Road Commission.  
Expenses for debt service interest have been excluded from all years.

Table 2



**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**GENERAL GOVERNMENT  
REVENUES BY SOURCE  
YEARS ENDED 1996 THROUGH 2005  
(UNAUDITED)**

<u>Year Ended</u>	<u>Permits</u>	<u>Federal Sources</u>	<u>State Sources</u>	<u>Local Sources</u>	<u>Charges for Services</u>	<u>Interest and Rents</u>	<u>Other</u>	<u>Total Revenue</u>
1996	161,005	1,994,397	7,932,018	3,000,937	2,775,734	170,819	207,843	16,242,753
1997	134,212	399,065	10,623,711	3,946,897	3,293,088	200,088	74,303	18,671,364
1998	160,994	266,814	10,318,806	2,910,446	2,469,929	251,999	94,131	16,473,119
1999	125,704	1,044,872	10,685,333	2,446,698	2,960,208	402,128	220,806	17,885,749
2000	137,321	1,635,759	10,718,440	3,116,469	3,444,000	494,515	155,931	19,702,435
2001	152,685	1,271,621	9,943,146	2,873,841	2,810,944	334,704	209,423	17,596,364
2002	173,556	1,072,789	12,361,297	5,983,849	3,116,598	116,747	206,324	23,031,160
2003	157,974	1,459,093	11,031,273	5,573,922	3,182,188	58,212	99,518	21,562,180
2004	178,579	643,311	17,873,320	5,717,473	3,559,912	59,113	139,502	28,171,210
2005	151,951	1,446,684	18,735,094	7,732,017	4,018,597	91,074	101,411	32,276,828

Table 3

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**GENERAL GOVERNMENT**  
**OPERATING EXPENDITURES BY ACTIVITY**  
**YEARS ENDED 1996 THROUGH 2005**  
**(UNAUDITED)**

<u>Year Ended</u>	<u>Construction/ Capital Improvement</u>	<u>Preservation- structural Improvement</u>	<u>Maintenance</u>	<u>State Maintenance</u>	<u>Administration</u>	<u>Equipment (net)</u>	<u>Other</u>	<u>Total Operating Expenditures</u>
1996	301,004	4,680,598	6,252,613	2,766,456	1,065,152	( 188,827)	1,123,493	16,000,489
1997	135,485	7,383,211	6,070,743	3,360,960	819,547	( 139,779)	785,618	18,415,785
1998	226,462	3,321,931	7,180,921	2,410,102	921,352	( 219,622)	680,592	14,521,738
1999	62,181	10,040,544	7,903,896	2,914,593	990,004	( 269,067)	615,441	22,257,592
2000	-	5,967,588	9,051,317	3,408,791	873,525	( 297,022)	741,771	19,745,970
2001	-	8,356,443	7,214,145	2,915,349	1,160,256	( 99,812)	910,274	20,456,655
2002	-	9,389,497	9,073,955	3,259,514	982,218	( 200,907)	1,941,790	24,446,067
2003	1,170,457	6,825,185	9,064,337	3,148,252	1,014,905	( 199,667)	1,227,252	22,250,721
2004	7,866,560	5,240,356	8,475,087	3,512,654	651,714	600,718	1,054,195	27,401,284
2005	10,512,017	6,602,167	8,871,630	3,983,799	683,679	603,103	865,225	32,121,620

Note: The expenditures reported above include the current operating expenditures of the Road Commission.  
Expenditures for capital outlay and debt service have been excluded from all years.

Table 4

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**PRESERVATION- STRUCTURAL IMPROVEMENTS EXPENDITURES BY  
COUNTY ROAD PERSONNEL AND CONTRACTORS**

**YEARS ENDED 1996 THROUGH 2005  
(UNAUDITED)**

	Performed by County Road		Performed by Contractors		Total	
	Primary	Local	Primary	Local	Primary	Local
1996	496,767	579,243	2,773,714	830,874	3,270,481	1,410,117
1997	447,489	616,497	3,914,438	2,404,787	4,361,927	3,021,284
1998	586,552	328,263	2,042,751	364,365	2,629,303	692,628
1999	823,124	923,508	7,431,133	862,779	8,254,257	1,786,287
2000	640,098	658,551	3,744,799	1,413,589	4,384,897	2,072,140
2001	904,021	633,609	5,818,265	1,000,548	6,722,286	1,634,157
2002	873,396	740,466	5,437,540	2,338,095	6,310,936	3,078,561
2003	641,268	537,208	3,887,671	1,759,038	4,528,939	2,296,246
2004	528,669	575,332	3,109,314	1,027,041	3,637,983	1,602,373
2005	474,990	790,850	3,104,000	2,232,327	3,578,990	3,023,177

Note: In 2005, terminology was changed from Heavy Maintenance to Preservation- Structural Improvements

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**MAINTENANCE EXPENDITURES BY  
COUNTY ROAD PERSONNEL AND CONTRACTORS**

**YEARS ENDED 1996 THROUGH 2005  
(UNAUDITED)**

	Performed by County Road		Performed by Contractors		Total	
	Primary	Local	Primary	Local	Primary	Local
1996	2,191,319	2,528,886	474,167	1,058,241	2,665,486	3,587,127
1997	2,263,373	2,541,552	222,579	1,043,239	2,485,952	3,584,791
1998	2,674,544	3,025,712	505,452	975,213	3,179,996	4,000,925
1999	3,117,305	3,084,009	654,199	1,048,383	3,771,504	4,132,392
2000	3,243,165	3,295,665	819,767	1,203,330	4,062,932	4,498,995
2001	2,290,367	3,237,059	541,660	1,145,059	2,832,027	4,382,118
2002	3,046,348	1,742,865	850,984	3,433,758	3,897,332	5,176,623
2003	3,174,568	3,808,430	807,020	1,274,319	3,981,588	5,082,749
2004	2,852,464	3,716,508	686,443	1,219,672	3,538,907	4,936,180
2005	3,293,505	2,284,168	851,265	2,442,692	4,144,770	4,726,860

Table 6

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NET CAPITAL OUTLAY**  
**YEARS ENDED 1996 THROUGH 2005**  
**(UNAUDITED)**

	Land Improvements Building and Equipment	Less Depreciation	Less Retirements	Net Capital Outlay
1996	844,816	( 683,145)	( 49)	161,622
1997	710,052	( 715,498)	( 321)	( 5,767)
1998	708,344	( 755,636)	( 1,733)	( 49,025)
1999	1,216,645	( 853,894)	-	362,751
2000	876,978	( 910,814)	( 2,813)	( 36,649)
2001	1,128,515	( 901,729)	( 40,250)	186,536
2002	1,343,162	( 1,062,708)	( 685)	279,769
2003	972,152	( 1,072,560)	( 1,395)	( 101,803)
2004	1,054,188	( 1,152,095)	( 181)	( 98,088)
2005	851,242	( 1,054,339)	( 1,851)	( 204,948)

Table 7

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**CAPITAL OUTLAY**  
**2005 EQUIPMENT PURCHASES**

The St. Clair County Road Commission has 926 pieces of maintenance, construction and radio equipment at a total value of \$10,797,040. There are 264 pieces of shop equipment with a value of \$659,882. A Shop Foreman is responsible for specifications, purchasing, maintenance and disposal of all equipment.

Mechanics are assigned to all districts. The Avoca, Capac and Marine City districts have one mechanic each; the St. Clair district, where all major repairs are made, has three mechanics, two welders, one tireman, and three plant maintenance men.

The method used to determine equipment replacement is based on a rating system with credits given to the percent of direct repair cost to purchase price, age, and condition.

The following new road equipment was purchased during 2005 at a cost of \$756,313:

<u>Equipment Description</u>	<u>Quantity</u>	<u>Purchase Price</u>
Single Axle Dump Truck	2	\$ 218,945.00
Motor Grader	1	162,965.00
Tandem Axle Dump Truck	2	144,918.00
Tractor	1	64,959.00
Sewer Jet/Trailer	1	56,704.00
Boom Mower	1	28,975.00
1/2 Ton Pickup	1	17,998.00
Snow Plow	2	9,510.00
Zero Turn Mower	1	8,319.00
Excavator	1	7,700.00
Grade Laser	1	6,709.00
Miscellaneous		28,611.00
Total		<u>\$ 756,313.00</u>

Table 8

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**LONG-TERM LIABILITIES**

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
LONG-TERM LIABILITIES TO MOTOR VEHICLE HIGHWAY FUNDS - ACT 51**

**YEARS ENDED 1996 THROUGH 2005  
(UNAUDITED)**

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Motor Vehicle Highway Funds Act 51</u>	<u>Ratio of Debt Service to MVHF - Act 51</u>
1996	277,399	111,808	389,207	7,217,951	5.39%
1997	287,172	83,813	370,985	8,179,000	4.54%
1998	315,611	54,165	369,776	9,434,291	3.92%
1999	347,242	50,919	398,161	9,473,656	4.20%
2000	280,000	275,664	555,664	9,950,922	5.58%
2001	290,000	263,414	553,414	9,964,871	5.55%
2002	555,000	357,376	912,376	10,013,932	9.11%
2003	570,000	329,033	899,033	10,571,016	8.50%
2004	590,000	300,033	890,033	11,305,745	7.87%
2005	605,000	274,908	879,908	10,959,490	8.03%
Total	<u>\$ 4,117,424</u>	<u>\$ 2,101,133</u>	<u>\$ 6,218,557</u>	<u>\$ 97,070,874</u>	<u>6.41%</u>

Note:

(1) Motor Vehicle Highway Funds - Act 51, represent the amount received from the State of Michigan as the distribution of gas and weight taxes that have been designated for Primary and Local Road expenditures. The amount, however, does not include an amount of \$10,000 per year in Motor Vehicle Highway Fund - Act 51 which has been designated for engineering expenditures.

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**LONG-TERM LIABILITIES**

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
LONG-TERM LIABILITIES TO TOTAL OPERATING EXPENDITURES**

**YEARS ENDED 1996 THROUGH 2005  
(UNAUDITED)**

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Operating Expenditures</u>	<u>Ratio of Debt Service to Total Operating Expenditures</u>
1996	277,399	111,808	389,207	16,000,489	2.43%
1997	287,172	83,813	370,985	18,415,785	2.01%
1998	315,611	54,165	369,776	14,521,738	2.55%
1999	347,242	50,919	398,161	22,257,592	1.79%
2000	280,000	275,664	555,664	19,745,970	2.81%
2001	290,000	263,414	553,414	20,456,655	2.71%
2002	555,000	357,376	912,376	24,446,067	3.73%
2003	570,000	329,033	899,033	22,250,721	4.04%
2004	590,000	300,033	890,033	27,401,284	3.25%
2005	605,000	274,908	879,908	32,121,620	2.74%
Total	<u>\$ 4,117,424</u>	<u>\$ 2,101,133</u>	<u>\$ 6,218,557</u>	<u>\$ 217,617,921</u>	<u>2.86%</u>

Notes:

(1) Operating Expenditures do not include expenditures for Capital Outlay as well as Debt Service.

(2) In 1999 the Road Commission (County of St. Clair) issued \$6,000,000 in Michigan Transportation Fund Bonds dated June 1, 1999. Principal and interest payments are due through August 1, 2014.

(3) In 2001 the Road Commission (County of St. Clair) issued \$2,500,000 of Michigan Transportation Fund Notes, Series 2001, dated August 21, 2001. Principal and interest payments are due through August 1, 2011.

Table 10



**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**2005 CONSTRUCTION/ CAPACITY AND PRESERVATION/ STRUCTURAL  
IMPROVEMENTS  
EXPENDITURES BY TOWNSHIP  
(UNAUDITED)**

<u>Township</u>	<u>Construction/ Capacity Improvement</u>	<u>Preservation/ Structural Improvement</u>	<u>Total</u>
Berlin	\$ 154,800	\$ 6,990	\$ 161,790
Brockway	-	-	-
Burtchville	-	-	-
Casco	-	47,409	47,409
China	-	1,123,970	1,123,970
Clay	-	157,462	157,462
Clyde	-	112,330	112,330
Columbus	83,358	50,031	133,389
Cottrellville	-	3,464	3,464
East China	279,000	60,351	339,351
Emmett	-	-	-
Fort Gratiot	261,599	-	261,599
Grant	-	34,777	34,777
Greenwood	1,187,000	184,288	1,371,288
Ira	-	1,688	1,688
Kenockee	-	-	-
Kimball	701,698	106,340	808,038
Lynn	-	22,100	22,100
Mussey	-	-	-
Port Huron	352,707	288,279	640,986
Riley	-	-	-
St. Clair	226,944	707,198	934,142
Wales	-	116,500	116,500
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 3,247,106</u>	<u>\$ 3,023,177</u>	<u>\$ 6,270,283</u>

Table 11

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**2005 BERM MONEY EXPENDITURES**  
**(UNAUDITED)**

<u>Township</u>	<u>Unpaid Balance 12/31/04</u>	<u>2005 Expenditures</u>	<u>County Share</u>	<u>Township Share</u>	<u>Township Payments</u>	<u>Unpaid Balance 12/31/05</u>	<u>2005 Unused County Share</u>
Berlin	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Brockway	-	-	-	-	-	-	-
Burtchville	-	-	-	-	-	-	-
Casco	1,913	-	-	-	1,913	-	-
China	5,887	-	-	-	5,887	-	-
Clay	12,079	-	-	-	12,079	-	-
Clyde	-	11,824	5,912	5,912	-	5,912	5,912
Columbus	-	-	-	-	-	-	-
Cottrellville	6,587	-	-	-	6,587	-	-
East China	2,258	-	-	-	2,258	-	-
Emmett	-	-	-	-	-	-	-
Fort Gratiot	-	-	-	-	-	-	-
Grant	4,780	-	-	-	4,780	-	-
Greenwood	689	-	-	-	689	-	-
Ira	6,751	-	-	-	6,751	-	-
Kenockee	7,457	-	-	-	7,457	-	-
Kimball	-	-	-	-	-	-	-
Lynn	-	-	-	-	-	-	-
Mussey	-	-	-	-	-	-	-
Port Huron	-	-	-	-	-	-	-
Riley	-	-	-	-	-	-	-
St. Clair	-	-	-	-	-	-	-
Wales	-	-	-	-	-	-	-
Totals	<u>\$ 48,401</u>	<u>\$ 11,824</u>	<u>\$ 5,912</u>	<u>\$ 5,912</u>	<u>\$ 48,401</u>	<u>\$ 5,912</u>	<u>\$ 5,912</u>

Table 12

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**2005 MATCH MONEY EXPENDITURES**  
**(UNAUDITED)**

Township	Unpaid Balance 12/31/04	2005 Expenditures	County Share	Township Share	Township Payments	Unpaid Balance 12/31/05	2005 Unused County Share
Berlin	\$ 3,619	\$ 84,090	\$ 43,699	\$ 40,391	\$ 30,878	\$ 13,132	\$ 3,541
Brockway	2,873	31,589	15,794	15,794	12,202	6,466	15,989
Burtchville	20,600	107,110	22,101	85,009	98,262	7,347	-
Casco	-	96,165	31,197	64,968	58,486	6,482	-
China	49	150,732	43,271	107,462	35,967	71,543	-
Clay	88,586	78,636	39,318	39,318	121,564	6,340	781
Clyde	13,567	106,924	30,965	75,959	85,917	3,609	-
Columbus	4,422	159,709	33,082	126,627	99,489	31,560	-
Cottrellville	10,211	26,669	13,334	13,334	23,546	-	44,029
East China	260	83,911	23,976	59,936	5,808	54,387	-
Emmett	1,139	61,645	30,823	30,823	31,961	-	3,344
Fort Gratiot	3,699	119,673	59,836	59,836	59,421	4,115	1,940
Grant	21,688	121,829	44,839	76,990	59,651	39,027	-
Greenwood	5,902	124,572	36,039	88,533	41,704	52,731	-
Ira	1,232	116,476	58,238	58,238	58,286	1,184	3,658
Kenockee	35,773	136,664	27,357	109,307	115,343	29,737	-
Kimball	19,216	192,531	49,430	143,102	139,063	23,254	-
Lynn	1,938	53,627	26,813	26,813	28,752	-	28,903
Mussey	5,258	67,551	33,776	33,776	38,352	681	4,436
Port Huron	107,227	388,270	140,183	248,087	246,544	108,770	-
Riley	26,543	67,969	32,082	35,887	60,719	1,711	-
St. Clair	12,633	154,726	40,397	114,329	78,508	48,454	-
Wales	3,924	73,969	36,984	36,984	38,367	2,542	6,776
Totals	<u>\$ 390,359</u>	<u>\$ 2,605,037</u>	<u>\$ 913,534</u>	<u>\$ 1,691,503</u>	<u>\$ 1,568,790</u>	<u>\$ 513,072</u>	<u>\$ 113,397</u>

Table 13

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**2005 LOCAL ROAD IMPROVEMENT PROGRAM**  
**MATCH MONEY QUANTITIES**  
**(UNAUDITED)**

<u>Township</u>	<u>Aggregate Surfacing &amp; Patching (Tons)</u>	<u>Roadside Ditching (Miles)</u>	<u>Dust Layers (Gallons)</u>	<u>Sealcoat &amp; Slurry Seal (Sq. Yd.)</u>	<u>Culvert Projects (Number)</u>	<u>Total Expenditures</u>
Berlin	2,953.00	0.36	198,300	-	2	\$ 84,090
Brockway	1,952.00	0.19	-	-	6	31,589
Burtchville	5,559.00	0.38	60,118	-	3	107,110
Casco	-	0.21	76,250	61,387	0	96,165
China	-	1.80	135,987	-	5	150,732
Clay	467.00	0.18	15,129	22,116	3	78,636
Clyde	5,841.00	0.03	102,015	-	0	106,924
Columbus	6,413.00	1.24	92,200	5,969	2	159,709
Cottrellville	991.00	0.28	60,100	-	0	26,669
East China	122.00	0.05	3,600	-	0	83,911
Emmett	4,436.00	-	77,300	-	0	61,645
Fort Gratiot	3,140.00	0.17	42,814	16,716	0	119,673
Grant	6,344.00	1.18	154,600	-	3	121,829
Greenwood	4,696.00	0.96	185,500	-	2	124,572
Ira	8,473.00	0.02	66,120	-	0	116,476
Kenockee	5,560.00	0.99	182,500	-	1	136,664
Kimball	7,243.00	0.15	148,900	6,968	0	192,531
Lynn	4,219.00	-	87,000	-	2	53,627
Mussey	4,548.00	0.53	81,500	-	1	67,551
Port Huron	2,419.00	0.71	9,262	29,158	0	388,270
Riley	2,593.00	0.15	201,300	-	0	67,969
St. Clair	3,468.00	0.93	160,500	-	2	154,726
Wales	3,838.00	0.30	117,000	-	2	73,969
Totals	<u>85,275.00</u>	<u>10.81</u>	<u>2,257,995</u>	<u>142,314</u>	<u>34</u>	<u>\$ 2,605,037</u>

Note: Total Expenditures includes miscellaneous work such as construction, guardrail, mowing, bump burning, street signs, seal patching, etc.

Table 14

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**MISCELLANEOUS STATISTICS**  
**DESCRIPTION OF INSURANCE COVERAGE IN FORCE**  
**December 31, 2005**  
**(UNAUDITED)**

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan which authorizes contracts between municipal corporations (interlocal agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop-loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Road Commission pays an annual premium to the Pool for property (buildings and grounds) coverage, automobile liability, errors and omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also a member of the County Road Association Self-Insurance Fund for workers' compensation self-insurance. The Pool is a municipal self-insurance entity operating within the laws of the State of Michigan. The Pool has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Pool. This program is administered by a service agency which furnishes claims review and claims processing.

The Road Commission became self-insured for health care benefits during 2004. The administrative services for the self-insured program are performed by the health insurance company. The Road Commission makes monthly payments based on estimated claims and a stop-loss provision which are adjusted quarterly.

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**MISCELLANEOUS STATISTICS**  
**OTHER STATISTICS**  
**DECEMBER 31, 2005**  
**(UNAUDITED)**

**Form of Government**

The County's legislative body is a three-member Board of Commissioners appointed by the St. Clair County Board of Commissioners. The members are appointed to six-year terms, staggered so that one term expires every two years. The Board annually elects from within its ranks a Chairperson and Vice-Chairperson by majority vote.

**Location**

St. Clair County consists of approximately 700 square miles with approximately 164,000 residents and is located in the lower eastern portion of Michigan's Lower Peninsula. The County seat, the City of Port Huron, is located about sixty miles north of Detroit, Michigan.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

To the Board of County Road  
Commissioners of St. Clair County  
St. Clair, Michigan

We have audited the financial statements of the St. Clair County Road Commission as of and for the year ended December 31, 2005, and have issued our report thereon, dated April 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financing Reporting**

In planning and performing our audit, we considered St. Clair County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the St. Clair County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Board of County Road Commissioners of St. Clair County, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants

April 24, 2006